dealing with trade frictions. The problems of distinguishing "good" government intervention from "bad" are considerable. Moreover, there may be forms of government economic involvement that are advantageous for nations so long as only a few nations practice them, but become efficiency-diminishing for the world economy if many nations adopt them (a kind of international analogue to the familiar problem of sports fans standing up to see the game better). And while various forms of managed trade seem inevitable for at least the short run, there is as yet no convincing theory for a managed trade regime that regularizes economic change without stifling it.

Little wonder, then, that the easy prescription for less government involvement remains appealing. In one of three contributions on trade in services, Wedige von Dewitz, of the West German Ministry of Economics, asserts that "deregulation . . . is a synonym for liberalization" (p. 478). In this area, alone of all its topics, the book offers an alternative. In their paper on EC rules for services, Claus-Dieter Ehlermann and Gianluigi Campogrande of the Commission of the European Communities emphasize that certain forms of regulation are wholly consistent with the public interest. Thus, the EC model for liberalization of trade in services is described as an effort to assure market access for foreign producers and to make compatible national and community-wide rules on services. Although the authors do not use the term, they really describe an effort to harmonize regulatory systems as a means of liberalizing trade. The vital question for GATT is whether greater liberalization is more likely with a model that aims at deregulation with certain "exceptions" for national measures, or with a model that aims at harmonization and emphasizes uniform rules and standards across national boundaries. As Ehlermann and Campogrande point out, the EC is founded on a strong shared political commitment and increasingly strong institutions. What I have called a harmonization approach to trade liberalization requires continuous regulation and adjudication. Thus, they call for international institutions that do "not require consensus at the time of exercising control" (p. 489). Whether the world is capable of the same boldness as the EC remains doubtful, as evidenced by the tentativeness of even the best papers in this volume, but dramatic action may be necessary if there is to be a new life for an aging GATT.

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Sanctity Versus Sovereignty: The United States and the Nationalization of Natural Resource Investments. By Kenneth A. Rodman. New York: Columbia University Press, 1988. Pp. xvii, 403. Index. $45.

The developing world's quest for a new international economic order has so far not met with broad success. In international trade law and in the monetary sphere, no major changes have taken place in favor of less-developed countries (LDCs). In fact, since 1982, the demands of the Third World

have been voiced in a rather cautious and limited manner. Possibly, the immediate requirements of global environmental strategies and their financial implications will in the relatively near future bring the subject of economic relations between North and South back to the center stage of international debate. The basic demands and principles as formulated by both sides in the 1970s may then reemerge with the modifications indicated not only by the political changes that have occurred subsequent to 1974, but also by the economic experience gathered internationally since then.

The only area in which a major reform of the law has taken place concerns the framework for foreign investments. Whereas the jurisprudence of international tribunals and the discussions in international organizations have so far not led to unequivocal results on the issue of compensation in case of expropriation, a definite change has occurred in the legal framework that governs day-to-day operations of natural resource investments: ownership rights granted by traditional concession-type arrangements have been replaced by contractual rights and obligations under such umbrella concepts as service contracts, management contracts and marketing agreements. Rodman's book on one level traces the historical developments that have prompted this fundamental change, and on another level analyzes the manner in which the United States has responded.

In several well-researched case studies, mainly concerned with the exploration and exploitation of oil fields in Latin America and in the Arab world, the gradual evolution of U.S. policy toward renegotiations and expropriations is illustrated, reaching from strict rejection of such actions taken by Mexico and Bolivia in the 1930s for fear of precedential value ("regime concern," in the author's terminology) to encouragement of accommodation in the 1970s after the sharpening of OPEC oil policy. The theoretical background against which the author views the case studies concerns the factors that have determined official U.S. policy, be it identification with the self-definition of corporate interests ("the capitalist model"), the recognition of overriding foreign policy interests ("the static model") or some other version. The author concludes that generalizations along these lines, as previously suggested by theoreticians of foreign policy, are difficult to reconcile with the vagaries of actual policy making. As the case studies clearly show, different answers have been reached at different periods and under different circumstances. It also becomes apparent that sometimes the foreign policy community and the business community have held identical positions, but at other times their assessment of the proper foreign policy has been at odds, and occasionally the major elements of business have been inclined to be more accommodating than the State Department. Ideological hard-liners can draw no comfort from this study.

One of the fascinating aspects of the book is that it reveals in detail how diversified the composition and perspectives of decision-making actors have been. Established oil companies have held views different from newcomers to the business, while the interests of manufacturers at times collided with those of the foreign investment community. Banks had their own views which are, however, only marginally discussed here. Within the bureau-

cracy, the State Department, the Treasury Department, the President and Congress have played the major roles, often also with opposing perspectives.

As to the means available to prevent the turning of the tide in favor of host country control, the author shows how such diverse instruments as political isolation of the host country and general economic policies promoting political instability, including a cutoff from bilateral and multilateral aid and the refusal of loans to state-owned companies, were all at times discussed and utilized with varying success. The author correctly points out that coherent economic strategies of disinvestment and boycott by the private sector have at times been strong enough to counteract state policies.

In 1972, earlier than certain segments of the foreign investment community, the State Department recognized that the assumption of formal control of oil markets by host countries represented one evolutionary stage in bringing the concern over nonrenewable resources to the forefront of international economic and political policies. Gradually, but increasingly, the Western industrial states decided that issues of formal ownership were not as central to their aim of preserving economic security as had been assumed. The author also points out that, at the same time, oil corporations discovered that their new roles were not as uncomfortable as predicted. In this respect, the study could have added that the financial risks attending ownership rights have more recently received considerable attention in high-cost projects by host countries, and perhaps in the next decade the process may occasionally go full circle if host states come to prefer foreign ownership to the new forms of investment.

From the legal point of view, the discussion of the Hickenlooper and Gonzalez amendments is of particular interest; the author shows how these laws originated in Congress to secure executive protection of corporate interests through aid mechanisms, and how the Executive found ways to sidestep the problems created by a one-dimensional approach to foreign investment issues. Also, the lack of any major role for third-party settlement in this process is evident.

Developing states almost consistently refused offers to arbitrate, in part because of mistrust of arbitration proceedings, but mainly because they recognized that their claims were not based on existing law but upon the novel order toward which they aspired. As to the current state of customary law, it is not surprising to learn that the U.S. position has called for prompt, adequate and effective compensation. However, the reader hardly senses the debate among legal experts in the State Department over whether an international tribunal would follow this approach, and whether in their view book value or a claim of lost profits would be the basic component of an international award in case of a nationalized contract. Incidentally, a legal perspective on the subject would also have included a discussion of bilateral and multilateral treaty practice in the past two decades.

The difficulties with the enforcement of the position taken by the United States in part stemmed from the fact that the regime that the United States supported was not unanimously believed in by the international community, and that unilateral economic sanctions therefore were of limited effective-

ness unless matched by other capital-exporting countries once these had emerged as actors with economic weight and independent judgment.

Accepting the decline of traditional friendship, commerce and navigation treaties, the United States launched its initiative toward a new type of bilateral investment treaty which, contrary to established European practice, attempts to implement an open door policy by requiring admission of most types of foreign investment. As illustrated by the current discussions about the future of GATT, a legal cementation of neoclassical economic theory in the sphere of international law has encountered opposition on the basis of arguments pointing to the imperfect state of international markets, due to the slowness of adjustment measures and political and social considerations within national communities. GATT has aimed at an approximation of liberal policies acceptable within this framework, and the statute of the recently established Multilateral Investment Guarantee Agency contains elements that could be further developed toward an international consensus on foreign investment. At a time when asymmetric economic relationships dating from colonial periods have been terminated and extreme notions of sovereignty have been reconsidered in many quarters, the prospects for a multilateral regime appear to be more promising than a decade ago. In the absence of such a multilateral basis, states will continue to seek ways to implement their unilateral vision of the appropriate economic order.

Rodman's detached and perceptive study deserves high praise for the presentation of major developments in this field since the 1930s. However, the international lawyer should not expect a detailed discussion of legal issues. The author, an assistant professor of politics, has rightly resisted the temptation to venture into legal technicalities, even though major elements within the legal culture do not themselves always respect the borderline between the law created by the international community of states and the preferences of individual actors.

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Legal Guide on Drawing Up International Contracts for the Construction of Industrial Works. Prepared by the United Nations Commission on International Trade Law. New York: United Nations, 1988. Pp. xv, 346. Index.

International construction contracts are inevitably extraordinarily complex and require the parties to deal with a myriad of issues. The *Guide* effectively outlines the business and legal issues that must be dealt with in a construction contract where the contractor and the purchaser are from different nations. While written to cover contracts for the construction of what are called "works" (factories and other industrial plants), the *Guide* should also be useful in drafting and negotiating any type of construction